Kansas Health Policy Authority
Coordinating health & health care for a thriving Kansas

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MEMORANDUM

This memo is for communicating to hospitals Kansas Medicaid's plan for processing and paying inpatient claims effective October 1, 2007, concurrent with Medicare's implementation of Medicare Severity (MS) Diagnostic Related Groups (DRGs).

1. Kansas Medicaid has made the decision not to convert the claims payment system to MS-DRGs effective October 1, 2007. Instead, current Grouper version 24.0 will be retained. System changes will be made to crosswalk Grouper version 25.0 (MS-DRGs) to Grouper version 24.0 (CMS DRGs). A crosswalk table has been prepared and the Claims Engine will be modified to read this cross-reference DRG table. Due to the complexity and time required for these system changes, the Medicaid payment system will not be ready to crosswalk claims until the 1st Quarter of calendar year 2008 (effective date to be announced).

   On October 1, 2007, new ICD-9 diagnoses and procedure codes effective October 1, 2007 were loaded into the claims system and will support system changes made for crosswalking to the MS DRG.

2. Medicaid claims must be billed consistent with the methodology required for Medicare. The expected risk of this is that there are new diagnoses and procedure codes within the new ICD-9 update (created to support Grouper version 25.0) that will be used for billing, but will not be recognized by Grouper version 24.0; consequently, for discharges on or after October 1, 2007 through early 2008, some claim denials will result. Claims that utilize the new ICD-9 diagnoses and procedure codes will deny due to the presence of a code that Grouper version 24.0 will not recognize.

3. Once the crosswalk process is completed, the Kansas Health Policy Authority will ensure denied claims are identified and reprocessed. Claims that processed and paid using the old ICD-9 diagnoses and procedure codes (codes in existence prior to October 1, 2007) will not be reprocessed. Payments for processed claims will not change as the rates and DRG weights in effect as if October 1, 2007 will not change during calendar year 2008. It is important that coding is consistent with Medicare in order to ensure denied claims correctly crosswalk when the crosswalk is implemented in 2008.

4. The Kansas Health Policy Authority will monitor the volume of claims denials encountered for the period of October 1, 2007 through the implementation date. If a hospital experiences a substantial number of claim denials due to the use of the new ICD-9 diagnoses and procedure codes which results in a severe impact to cash flow, Kansas Medicaid will consider interim payment options. Interim payments would then be recouped upon implementation and reprocessing in early 2008.

5. The Kansas Health Policy Authority is evaluating a transition to MS DRGs in January of 2009 as well as an update to Peer Group rates and DRG weights concurrent with the transition.

If you have any questions concerning this memo, please contact Ron Smith, Kansas Health Policy Authority, at 785-296-4574.